

# 1998 Credit for Contributions to Charities That Provide Assistance to the Working Poor

## Arizona Form 321

### Phone Numbers

If you have questions, please call one of the following help numbers:

Phoenix	(602) 255-3381
Nationwide, toll-free	(800) 352-4090
Form orders	(602) 542-4260
Forms by Fax	(602) 542-3756
Recorded Tax Information	
Phoenix	(602) 542-1991
Other Arizona areas, toll-free	(800) 845-8192
Hearing impaired TDD user	
Phoenix	(602) 542-4021
Other Arizona areas, toll-free	(800) 397-0256

You may also visit our web site at:  
**[www.revenue.state.az.us](http://www.revenue.state.az.us)**

### General Instructions

For taxable years beginning on or after January 1, 1998, Arizona law provides a credit for cash contributions made to certain charities that provide help to the working poor. The maximum amount of this credit is \$200.

This credit is available only to individuals. Corporations may not claim this credit. A partnership may not pass the credit through to its partners. An S corporation may not pass the credit through to its shareholders.

You may qualify for this credit if you make cash contributions to a qualifying charity. You may also qualify for this credit if you make cash contributions to a qualified charity through an umbrella type of charitable organization. In this case, you must designate your donation to a member charitable organization or member group fund that would qualify on a stand-alone basis.

To be eligible for this credit, you must have itemized deductions and deducted charitable contributions on a prior year's Arizona return (1996 or later) at least once. This is necessary to establish a baseline year and amount. The credit is then figured on the amounts over and above the baseline amount.

For more information on this credit, see the Arizona Department of Revenue brochure, Pub 708, *Welfare Reform Tax Credits*. To get a copy of this brochure, call one of the help numbers listed on this page of these instructions.

### What is a Qualifying Charity?

A qualifying charity is a charity that is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). Starting on May 29, 1998, a qualifying charity is also a charity that is a designated community action agency that receives Community Services Block Grant Program money under the United States Code, Title 40, Section 9901. The charity must spend at least 50 percent of its budget on services to Arizona residents who receive Temporary Assistance for Needy Families benefits or to low income Arizona residents and their households.

**NOTE:** Contributions made before May 29, 1998, to a charity designated as a community action agency receiving Community Services Block Grant Program money that was not exempt from federal income tax under I.R.C. § 501(c)(3), cannot be used for purposes of computing the credit.

For the purpose of this credit, qualifying services are services that meet the recipient's immediate basic needs. The services must be provided and used in Arizona. Services that meet these needs include cash assistance, medical care, child care, food, clothing, and shelter. Tuition reimbursement is not a service that meets immediate basic needs.

**NOTE:** Starting on May 29, 1998, job placement services and job training, are services that meet the recipients immediate basic needs. Contributions made before May 29, 1998, to a charity that does not meet the 50 percent requirement without including job placement or job training services cannot be used for purposes of computing the credit.

### How Can I Tell if a Charity Qualifies?

To see if a charity qualifies, you should ask to see a copy of the certification letter the charity sent to the Department of Revenue. You should also ask the charity the following questions.

- Is the charity exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code?
- If the charity is not exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, is the charity a charity that is a designated community action agency that receives Community Services Block Grant Program money under the United States Code, Title 40, Section 9901?
- Does the charity spend at least fifty percent of its budget on services to Arizona residents who receive Temporary Assistance for Needy Families benefits or to low income Arizona residents and their households?

The Department of Revenue also keeps a list of agencies that sent certification letters to the department. You may also call one of the help numbers listed on this page to see if a charity has notified the department that it qualifies.

### Line-by-Line Instructions

#### Lines 1a, 1b, and 1c -

Enter the name of the qualifying charity to which you made contributions. Enter the amount contributed to the charity.

If you made contributions to 2 qualifying charities, also complete line 1b.

If you made contributions to 3 or more qualifying charities, complete an additional schedule. The schedule should show the same information required on line 1a for each of the additional charities to which you made contributions.

Add the amount of contributions made to all qualifying charities listed on lines 1a, 1b and any additional schedule. Enter the total on line 1c.

### Line 1d – Potential Credit

Enter the lesser of line 1c or \$200.

### Line 1e -

Enter the total contributions from your federal Schedule A that you are deducting as an itemized deduction for 1998.

### Line 2 -

Enter your baseline year.

If you itemized deductions and deducted charitable contributions in 1996, 1996 is your baseline year.

If you did not itemize deductions and deduct charitable contributions in 1996, then your baseline year is the first taxable year **after** 1996 that you itemize deductions and deduct charitable contributions. Your baseline year cannot be a year prior to 1996.

**NOTE:** *You must establish your baseline year in a year prior to the year in which you claim the credit. For example, if 1998 is the first year that you itemize and deduct charitable contributions on your Arizona return, you will not be able to take this credit on your 1998 return. You can take this credit in a future year if your qualifying donations in that future year exceed your charitable contributions deducted on your 1998 return.*

You must establish a new baseline year if your filing status changes due to any of the following:

- divorce
- marriage
- remarriage
- death of a spouse
- change in residency

A federal or state audit may also change your baseline year. Your baseline year could change if your deductions are changed from itemized to standard, or from standard to itemized.

### Line 3 -

Enter the total amount of charitable contributions you deducted as an itemized deduction on your Arizona return filed for the baseline year.

Your baseline amount is the total dollar amount of charitable contributions deducted on Schedule A. This amount includes the total contributions deducted pursuant to Section 170 of the Internal Revenue Code including cash amounts, property, or mileage amounts. For example, if a taxpayer deducted a total of \$500 in charitable contributions in 1996, \$500 is that taxpayer's baseline amount.

A federal or state audit may also change the amount of your total charitable contributions deducted as an itemized deduction on your Arizona return filed for the baseline year. If these amounts change, you must amend your credit to

reflect the new baseline amount.

### Line 4 -

Subtract the amount on line 3 from the amount on line 1e. If line 3 is more than line 1e, you do not qualify for the credit for 1998.

### Line 5 -

Enter the lesser of line 1d or line 4. This is your current year's credit.

**Note:** *If you are married, and you and your spouse file a separate return, you may each take only one-half of the total credit that would otherwise be allowed on a joint return.*

**For 1998, skip lines 6 through 13. Enter the amount from line 5 on Arizona Form 301, Part I, line 15.**

### Lines 6 through 10 -

Complete lines 6 through 10 only if the allowable credit for a prior year(s) exceeded your Arizona income tax liability for that prior year.

### Line 6 -

In columns (a) through (e), enter the taxable year(s) from which the credit is carried forward.

### Line 7 -

In columns (a) through (e), enter the amount of the original tax credit earned for that taxable year.

### Line 8 -

In columns (a) through (e), enter the amount of the tax credit for that taxable year which you have previously used.

### Line 9 -

In columns (a) through (e), subtract the amount on line 8 from the amount on line 7. Enter the result.

### Line 10 -

Add the amounts in columns (a) through (e), on line 9. Enter the total on line 10, column (f).

### Lines 11 through 13 - Total Available Credit

### Line 11 -

Enter the amount from line 5.

### Line 12 -

Enter the amount from line 10, column (f).

### Line 13 -

Add lines 11 and 12. Enter the total.

Also enter the total available credit on Arizona Form 301, Part I, line 15.